SYARIKAT FAIZA SDN BHD & ANOR v. FAIZ RICE SDN BHD & ANOR AND ANOTHER SUIT

HIGH COURT MALAYA, KUALA LUMPUR
WONG KIAN KHEONG J
[CIVIL SUITS NO: WA-22IP-9-03-2016 & WA-22IP-13-03-2016]
26 NOVEMBER 2018

TORT: *Damages – Compensatory and non-compensatory – Assessment – Copyright infringement offences – Defendants found liable to plaintiffs for copyright infringement, trade mark infringement, tort of passing off and tort of unlawful interference – Whether plaintiffs' loss of business profits caused by sales of infringing products – Whether expert evidence by accountant required under s. 45(1) of Evidence Act 1950 and O. 40A rr. 1 to 3 Rules of Court 2012 – Whether court should accept Average EBITA Margin or Actual EBITA Margin in assessing damages – Loss of plaintiffs' goodwill – Whether infringement of commercial nature – Whether defendant acted in bad faith – Whether statutory, additional, exemplary and aggravated damages allowed – Copyright Act 1987, s. 37*

After a trial of two consolidated cases, the defendants were found liable to the plaintiffs for the following four causes of action due to the sales of rice products (infringing products) of the first defendant company ('first defendant'): (i) a copyright infringement; (ii) trade mark infringement; (iii) tort of passing off; and (iv) tort of unlawful interference with the first plaintiff company's (first plaintiff) business. A judgment for the plaintiffs against the defendants was delivered and the defendants should pay to the plaintiffs, *inter alia*, (a) compensatory damages; and (b) non-compensatory damages as follows (i) statutory damages pursuant to s. 37(1)(d) and (8) of the Copyright Act 1987 ('CA'); (ii) additional damages under s. 37(7) CA ('additional damages'); (iii) exemplary damages; and (iv) aggravated damages which shall be assessed ('assessment'). Briefly, the facts were that the first plaintiff claimed compensation for loss of business profits regarding sales of its five brands of rice products ('five brands'). The first plaintiff also claimed for compensatory damages for its other brands of rice products ('other brands') because the sales of the other brands had been adversely affected by the sales of the infringing products. The assessment raised two novel questions (i) whether expert evidence by an accountant was required under s. 45(1) of the Evidence Act 1950 ('EA') and O. 40A rr. 1 to 3 of the Rules of Court 2012 ('RC') to prove loss of business profits suffered by the first plaintiff as compensatory damages for the four causes of action; and (ii) whether the court may consider expert evidence regarding 'EBITA' (earnings before interest, tax and amortisation) in assessing compensatory damages for the four causes of action and if yes, should the court use 'Average EBITA Margin' or 'Actual EBITA Margin.'

Held (granting damages accordingly):

(1) The sales of the five brands had been increasing every year from 2010 to 2014 but then suffered big declines in 2015 and 2016. Such a drastic fall in the sales of the five brands coincided with the first defendant's introduction of the infringing products in November 2015. The first plaintiff's sudden loss of business profits in the sales of the five brands could not have happened 'but for' the infringing products. The first defendant's promotion expenditure exacerbated the likelihood of confusion/deception to the detriment of the first plaintiff in terms of its sales of the five brands. Thus, the plaintiffs succeeded to discharge the onus to prove that the first plaintiff's loss of business profits for the five brands was 'caused' by the sales of the infringing products. (para 13)

(2) The infringing products used, among others, 'FAIZ' mark, 'FAIZ' logo mark and the name of the first defendant. The first defendant had passed off its business and the infringing products as those of the first plaintiff. The first defendant had suffered a great decline in the sales of the other brands. Such a sharp drop in the sales of the other brands would not have happened 'but for' the infringing products and the tort of passing off the first defendant's business as the first plaintiff's. Thus, the first plaintiff suffered a loss of business profits from the sales of the other brands due to the defendants' commission of the tort of passing off and the tort of unlawful interference. (paras 14 & 15)

(3) There is nothing in s. 45(1) EA or O. 40A rr. 1 to 3 RC which requires an accountant's expert evidence to be adduced in support of a plaintiff's claim for compensatory damages. Nor is there any written law which requires such an expert opinion. However, there is also nothing in law to prevent a plaintiff and/or defendant from tendering an accountant's expert opinion to assist the court in the assessment of compensatory damages. Based on the expert opinion of Mr Ong, an accountant, this court decided that regarding the five brands, the first plaintiff's revenue in 2015 should consider (i) taking into account the first plaintiff's revenue decrease rate for the five brands in 2015 (-6.60%), the average annual revenue increase rate (five brands) from 2011 to 2015 was 2.93%; and (ii) based on the average annual revenue increase rate (five brands) of 2.93% and the actual revenue of the first plaintiff for the five brands in 2015 (RM191,086,048), the first plaintiff's predicted revenue in 2016 (five brands) was RM196,684,869. In respect of the other brands, the first plaintiff's revenue in 2015 for the other brands should be taken into account (i) taking into account the first plaintiff's revenue in 2015 for the other brands, the first plaintiff's average annual revenue decrease rate (other brands) from 2011 to 2015 is -2.94%; and (ii) the

first plaintiff's actual revenue for the other brands in 2016 was RM30,724.736. Accordingly, the first plaintiff's predicted revenue in 2016 (other brands) was RM29,821,429. (paras 20-31)

(4) This court accepted EBITA in applying the loss of profits basis but was unable to accept Mr Ong's expert view regarding the use of the Actual EBITA Margin (2016) because the Actual EBITA Margin (2016) was 'caused' by the infringing products (which constituted the four causes of action). If the defendants could rely on the Actual EBITA Margin (2016) this tantamount to allowing the defendants to profit from their own wrongdoing in committing the four causes of action. Based on the Average EBITA Margin of 3.66%, the first plaintiff's loss of business profits from the affected brands in 2016 was RM3,993,389. (paras 30, 35 & 36)

(5) The plaintiffs had proven that the defendants had caused actual damage to the first plaintiff's goodwill. The first defendant's promotion expenditure aggravated the likelihood of confusion/deception and this in turn, caused severe damage to the first plaintiff's goodwill. This court may presume there was a loss of the first plaintiff's goodwill arising from the defendant's commission of the tort of passing off and an award of RM100,000 for a loss of the first plaintiff's goodwill was in accordance with 'ordinary business knowledge and common sense.' (para 38)

(6) Section 37(1)(d) of the CA has prescribed a maximum amount of statutory damages for copyright infringement. The defendants' infringement of the first plaintiff's copyright in the six works (defendants' copyright infringement) was of a commercial nature within the meaning of s. 37(8)(a) of the CA. The defendants' copyright infringement was flagrant. The defendant had acted in bad faith within the meaning of s. 37(8)(c) of the CA by maliciously claiming copyright in the six works and counterclaimed that the plaintiffs had infringed the defendants' copyright in the six works and that the second defendant had affirmed false statutory declarations to support the defendants' claim to the copyright in the six works and to oppose the plaintiff's interlocutory injunction application. The second defendant had suppressed material evidence at the trial of these cases. The defendants had also derived benefit from the defendants' copyright infringement. Hence, this court awarded RM10,000 as statutory damages for each of the six works. This court also exercised discretion to grant the plaintiffs a global sum of RM100,000 as additional damages, exemplary damages and aggravated damages. (paras 41, 43 & 44)

Case(s) referred to:

Creative Purpose Sdn Bhd & Anor v. Integrated Trans Corporation Sdn Bhd & Ors [1997] 2 CLJ Supp 107 HC ***(refd)***

Deloitte Haskins & Sells v. National Mutual Life Nominees Ltd [1993] AC 774 ***(refd)***

General Tire & Rubber Co v. Firestone Tyre & Rubber Co Ltd [1975] 2 All ER 173 ***(refd)***

Honda Giken Kogyo Kabushiki Kaisha (also known as "Honda Motor Co, Ltd") v. DNC Asiatic Holdings Sdn Bhd & Ors And Another Suit [2018] 9 CLJ 229 HC ***(refd)***

Kingtime International Ltd & Anor v. Petrofac E & C Sdn Bhd [2018] 1 LNS 1681 HC ***(refd)***

Kohwai & Young Publication (M) Sdn Bhd v. Lembaga Pengelola Dewan Bahasa dan Pustaka [2013] 10 CLJ 365 HC ***(refd)***

Megnaway Enterprise Sdn Bhd v. Soon Lian Hock (No 2) [2009] 8 CLJ 130 HC ***(refd)***

Motordata Research Consortium Sdn Bhd v. Ahmad Shahril Abdullah & Ors [2017] 1 LNS 1142 HC ***(refd)***

Popular Industries Ltd v. The Eastern Garment Manufacturing Co Sdn Bhd [1990] 1 CLJ 133; [1990] 2 CLJ (Rep) 635 HC ***(refd)***

Schwan-Stabilo Marketing Sdn Bhd & Anor v. S & Y Stationery & Ors [2018] 9 CLJ 384 HC ***(refd)***

Spind Malaysia Sdn Bhd v. Justrade Marketing Sdn Bhd & Anor [2018] 4 CLJ 705 FC ***(refd)***

Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors [2011] 3 CLJ 837 FC ***(refd)***

Tan Sri Khoo Teck Puat & Anor v. Plenitude Holdings Sdn Bhd [1995] 1 CLJ 15 FC ***(refd)***

Legislation referred to:

Copyright Act 1987, s. 37(1)(d), (7)(a), (b), (c), (8)(a), (b), (c), (d), (e), (f), (g), (h)
Evidence Act 1950, s. 45(1)
Rules of Court 2012, O. 40A rr. 1, 2, 3

Copyright Act (Cap 63) [Sing], s. 119(2)(d)

For the plaintiffs - Kuek Pei Yee, Alyshea Low Khye Lyn & Gooi Yang Shuh; M/s Skrine
For the defendants - Michael Soo Chow Ming, Wendy Lee Wan Chieh & Loo Wai Hoong; M/s Shook Lin & Bok

Reported by Suhainah Wahiduddin

JUDGMENT

(encl. 219 – Assessment Of damages)

Wong Kian Kheong J:

Background

[1] After a trial of the above two consolidated cases, this court delivered judgment (judgment) for the first and second plaintiffs (plaintiffs) against the first and second defendants (defendants) – please see the judgment in [2017] 1 LNS 1648; [2017] MLJU 1595. According to the judgment, among others:

(i) the defendants are liable to the plaintiffs for the following four causes of action (four causes of action) due to the sales of rice products (infringing products) of the first defendant company (first defendant):

(a) copyright infringement;

(b) trade mark infringement;

(c) tort of passing off; and

(d) tort of unlawful interference with the first plaintiff company's (first plaintiff) business;

(ii) the defendants shall pay to the plaintiffs the following damages for the four causes of action:

(a) compensatory damages; and

(b) non-compensatory damages as follows:

(1) statutory damages (statutory damages) pursuant to s. 37(1)(d) and (8) of the Copyright Act 1987 (CA);

(2) additional damages under s. 37(7) CA (additional damages);

(3) exemplary damages; and

(4) aggravated damages;

(iii) all the above damages shall be assessed by me (assessment);

(iv) the defendants shall pay to the plaintiffs, interest at the rate of 5% per annum on the damages assessed by the court (assessed damages) from 2 June 2017 until full payment of the assessed damages; and

(v) costs of the assessment (if any) shall be decided after the assessment.

Novel Issues

[2] This assessment raised the following two novel questions:

(i) whether expert evidence by an accountant is required under s. 45(1) of the Evidence Act 1950 (EA) and O. 40A rr. 1 to 3 of the Rules of Court 2012 (RC) to prove loss of business profits suffered by the first plaintiff as compensatory damages for the four causes of action; and

(ii) whether the court may consider expert evidence regarding "EBITA" (earnings before interest, tax and amortization) in assessing compensatory damages for the four causes of action. If "yes", should the court use "Average EBITA Margin" or "Actual EBITA Margin"?

A **Assessment Proceedings**

[3] The plaintiffs have filed affidavits affirmed by the following persons in support of their claim for damages:

(i) Puan Jadwa binti Abu Bakar, the first plaintiff's Branch Manager for
B Kuala Lumpur; and

(ii) Encik Azhar bin Kasim (Encik Azhar), the Sales and Marketing Manager of the first plaintiff.

[4] The following affidavits had been affirmed on behalf of the defendants in this assessment:
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(i) the second defendant (second defendant); and

(ii) Encik Ong Koon Liang (Encik Ong), a practising accountant.

[5] The parties in this case have agreed for all the deponents in the
D assessment (deponents) to be cross-examined regarding the conflict in their affidavits (cross-examination). This judgment is based on the deponents' affidavits as well as oral evidence given by the deponents in the cross-examination and re-examination.

Assessment Of Compensatory Damages

E *Judicial Approach*

[6] In assessing compensatory damages, I adopt the following approach:

(i) a plaintiff bears the evidential burden to prove:

F (a) the defendant's infringement of the plaintiff's intellectual property (IP) rights has "caused" loss to the plaintiff – please see the judgment of Richard Malanjum CJ (Sabah & Sarawak) (as he then was) in the Federal Court case of *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors* [2011] 3 CLJ 837, at para. [17]. This is a question of causation of the plaintiff's loss;

G (b) the loss suffered by the plaintiff is not too remote and can be recovered in law. This concerns the issue of remoteness of damage suffered by the plaintiff; and

(c) the amount of damages to be awarded – please see the judgment of
H Edgar Joseph Jr J (as he then was) in the High Court case of *Popular Industries Ltd v. The Eastern Garment Manufacturing Co Sdn Bhd* [1990] 1 CLJ 133; [1990] 2 CLJ (Rep) 635; [1989] 3 MLJ 360, at 367.

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If a plaintiff fails to discharge the above onus, the plaintiff is not entitled to compensatory damages – please see *Schwan-Stabilo Marketing Sdn Bhd & Anor v. S & Y Stationery & Ors* [2018] 9 CLJ 384, at paras. [46] and [47]. In such a case, the plaintiff can only claim nominal compensatory damages – please see the judgment of Edgar Joseph Jr FCJ in the Federal Court case of *Tan Sri Khoo Teck Puat & Anor v. Plenitude Holdings Sdn Bhd* [1995] 1 CLJ 15; [1994] 3 MLJ 777, at [799];

(ii) there is no hard and fast rule to assess compensatory damages – *Taiping Poly*, at para. [19];

(iii) in accordance with the general principle of *restitutio in integrum*, compensatory damages should as nearly as possible put an injured plaintiff in the same position as the plaintiff would have been in if the wrong has not been committed by the defendant – *Taiping Poly*, at paras. [8] and [19]. The object of compensatory damages is to compensate a plaintiff and not to punish the defendant – *General Tire & Rubber Co,* at p. 177;

(iv) the court must ensure that a plaintiff is not unjustly enriched (overcompensated) and at the same time the court should prevent the defendant from being financially ruined in an unjust manner – please see *Motordata Research Consortium Sdn Bhd v. Ahmad Shahril bin Abdullah & Ors* [2017] 1 LNS 1142; [2017] 7 AMR 560, at sub-para. 75(2); and

(v) to assess compensatory damages for a breach of IP rights, the court may apply any one of the following three bases:

(a) a computation of the loss of a plaintiff's business profits caused by the defendant's infringement of the plaintiff's IP rights (lost profits basis) – *Taiping Poly*, at para. [19];

(b) where a plaintiff has previously granted licenses to third parties for the use of the plaintiff's IP rights, the court may assess the plaintiff's loss of royalty or license fee due to the defendant's infringement of the plaintiff's IP rights (royalty basis) – please see Lord Wilberforce's judgment in the House of Lords' case of *General Tire & Rubber Co v. Firestone Tyre & Rubber Co Ltd* [1975] 2 All ER 173, at 178; or

(c) when it is not possible to apply lost profits basis and royalty basis, according to *General Tire & Rubber Co*, at pp. 178-179, the court may assess compensatory damages based on the following evidence adduced by a plaintiff:

(1) as regards royalty, the practice in the relevant trade or in analogous trades;

(2) expert opinion;

(3) profitability of the invention; and

(4) any factor on which the court can assess compensatory damages.

Whether First Plaintiff's Loss Of Business Profits Was "Caused" By Sales Of Infringing Products

[7] Encik Azhar gave the following evidence:

(i) the infringing products entered the market in November 2015. The first plaintiff however only claimed for compensatory damages for the year of 2016. This was because the effect of loss of business profits suffered by the first plaintiff in November and December 2015 (due to the sales of the infringing products) was not reflected in the first plaintiff's accounts (as there was a lag of 45 to 60 days in the "ordering cycle" of the first plaintiff's products);

(ii) the first plaintiff did not claim compensatory damages for the year 2017 because the sales of the first plaintiff's products had reverted to their original trend before the introduction of the infringing products in the market;

(iii) the first plaintiff firstly claimed compensation for loss of business profits regarding sales of its five brands of rice products (five brands) as follows:

(a) "Beras Faiza Emas (Super Spesial Tempatan)";

(b) "Beras Faiza Emas (Beras Putih Import)";

(c) "Beras Kashmir Faiza Basmathi";

(d) "Beras Moghul Faiza Basmathi"; and

(e) "Beras Taj Mahal Beras Herba Faiza";

(iv) the first plaintiff also claimed for compensatory damages for its other brands of rice products (other brands) because the sales of the other brands had been adversely affected by the sales of the infringing products; and

(v) the plaintiffs initially claimed a sum of RM5,096,966 as compensatory damages for the five brands and the other brands (collectively referred to in this judgment as the "affected brands"). The plaintiffs subsequently reduced their claim of compensation for the affected brands to RM3,993,389.

[8] According to the defendants, the plaintiffs were only entitled to nominal compensatory damages. The defendants firstly alleged that the loss of sales of the five brands was not caused by the infringing products but was due to the following reasons:

(i) the five brands concern rice, a food staple, which is sold in this country by more than 1,000 holders of wholesale licenses (other than the first defendant) (other traders). The loss of sales of the five brands could have been due to rice products sold by the other traders;

(ii) there are differences in quality and taste between the five brands and the infringing products. There is also a difference in the quality of service provided by the first plaintiff and the first defendant. Hence, there was no proof that the reduction in the sales of the five brands was caused by the infringing products;

(iii) the first defendant's market share in the rice industry is substantially lower than that of the first plaintiff and consequently, the infringing products could not have adversely affected the sales of the five brands;

(iv) before the first defendant entered the market in 2015, there was already a decline in the first plaintiff's revenue due to the following problems:

(a) the second defendant has more than 25 years of experience in the rice industry. The second defendant was the "driving force" behind the first plaintiff and his departure from the latter, had negatively impacted the latter's financial performance;

(b) after the second defendant had left the first plaintiff, his successor was Dr. Salwa binti Abu Bakar (a former lecturer) who was not actively involved in the first plaintiff's management until she joined the first plaintiff in 2014;

(c) approximately 110 employees left the first plaintiff in 2015 and this would have a detrimental effect on the running of the first plaintiff's business;

(d) the quality of the five brands deteriorated after the second defendant's departure from the first plaintiff;

(e) since 2015, the first plaintiff has procured rice from different suppliers. This could have adversely affected the taste of the five brands and could have caused a decline in the sales thereof; and

(f) the first plaintiff had a poor delivery system;

(v) major rice wholesalers such as Jasmine Food Corporation Sdn. Bhd., OEL Realty Holdings Sdn. Bhd., YHL Group, Serba Wangi Sdn. Bhd., Dagang Mewah Sdn. Bhd. and Edaran Komachi Sdn. Bhd. have introduced basmathi rice and ponni rice in packagings which are similar to the packagings of the five brands. This could have a negative effect on the sales of the five brands;

(vi) the first plaintiff's loss of profits for the five brands could be attributed to the following reasons:

(a) in December 2015, the Government withdrew subsidy for local rice products;

(b) prices of local rice products are capped by the Government;

(c) there is a general increase in the cost of imported and local rice;

(d) the first plaintiff's total expenditure has increased;

(e) the American Dollar had strengthened against the Ringgit;

(f) changes in consumer taste; and

(g) downturn in the Malaysian economy;

(vii) in 2015, the first plaintiff suffered a 6.59% decline in its sales. After the first defendant's entry in the market in 2015, the annual revenue of the first plaintiff declined only 4.24% in 2016. Accordingly, the first plaintiff's revenue in 2016 improved (as compared to its revenue in 2015) and the loss of sales of the five brands could not have been caused by the infringing products;

(viii) the first defendant had expended a substantial sum of money in the promotion and advertisement of the infringing products (first defendant's promotion expenditure). Hence, the first defendant is not a "copycat" which rides on the first plaintiff's goodwill; and

(ix) the infringing products are different from the five brands. Hence, there is no confusion between the infringing products and the five brands.

[9] Regarding the other brands, the defendants rely on the above contentions in the above para. [8]. Additionally, the defendants claimed as follows:

(i) the other brands were not the subject matter of the plaintiffs' suits in this case;

(ii) the design and get-up of the other brands' packagings are completely different from the five brands; and

(iii) the first plaintiff's revenue from the other brands had already been declining since 2012 and this decline accelerated in 2014 (before the first defendant entered the market).

[10] Firstly, I am of the view that the defendants cannot aver that there was no confusion between the five brands and the infringing products. This is because I have made a finding of fact in the judgment that there was a likelihood of confusion and/or deception between the five brands and the infringing products (likelihood of confusion/deception) – please see paras. [101] and [113(3)] of the judgment.

[11] The plaintiffs have the burden proven that the first plaintiff's loss of business profits regarding the affected brands is "caused" by the sales of the infringing products. To decide this causation issue, I adopt the "but for" test which has been applied by Lord Jauncey in a judgment delivered by the Privy Council in *Deloitte Haskins & Sells v. National Mutual Life Nominees Ltd* [1993] AC 774, at p. 788 (an appeal from New Zealand).

[12] In 2016, BERNAS imposed penalties on the first plaintiff amounting to RM5,365,957.24 (penalties). The plaintiffs, to their credit, had properly excluded the penalties in this assessment because the penalties could not have been "caused" by the four causes of action or the infringing products.

[13] I find as a fact that plaintiffs have succeeded to discharge the onus to prove that the first plaintiff's loss of business profits for the five brands is "caused" by the sales of the infringing products. This finding is premised on the following evidence and reasons:

(i) the sales of the five brands had been increasing every year from 2010 (RM166,408,757) to 2014 (RM204,585,565). Suddenly, the sales of the five brands suffered big declines in 2015 (RM191,086,048) and 2016 (RM182,974,225). Such a drastic fall in the sales of the five brands coincided with the first defendant's introduction of the infringing products in November 2015. The first plaintiff's sudden loss of business profits in the sales of the five brands could not have happened "but for" the infringing products. In fact, the first plaintiff suffered an actual loss in 2016. As such, the reasons given by the defendants in the above sub-paras. 8(i) to (vii) could not have "caused" the first plaintiff's loss of sales of the five brands; and

(ii) the first defendant's promotion expenditure exacerbated the likelihood of confusion/deception to the detriment of the first plaintiff in terms of its sales of the five brands.

[14] I am of the view that the first plaintiff's loss in the sales of the other brands was "caused" by the infringing products. This is due to the following evidence and reasons:

(i) the infringing products use, among others, "FAIZ" mark, "FAIZ" logo mark and the name of the first defendant. This court has found as a fact, among others, that the first defendant has passed off its business and the infringing products as those of the first plaintiff – please see paras. [109]-[118] of the judgment; and

(ii) it is true that the first plaintiff had suffered falling sales of the other brands from 2011 to 2014. However, with the introduction of "FAIZ" mark, "FAIZ" logo mark and the first defendant's name in November

2015, the first defendant suffered a greater decline in the sales of the other brands. Such a sharp drop in the sales of the other brands would not have happened "but for" the infringing products and the tort of passing off the first defendant's business as the first plaintiff's.

[15] Premised on the reason stated in the above para. [13], I reject the defendants' submission in the above sub-paras. 8(i) to (vii) and 9(i) to (iii) regarding the other brands. The fact that the other brands are not the subject matter of the plaintiffs' suits in this case is immaterial because:

(i) the defendants are liable in this case for, among others, the torts of passing off and unlawful interference with the first plaintiff's business; and

(ii) the first plaintiff did suffer a loss of business profits from the sales of the other brands due to the defendants' commission of the tort of passing off the first defendant's business as the first plaintiff's and the tort of unlawful interference with the first plaintiff's business.

Whether First Plaintiff's Loss Of Business Profits Was Too Remote

[16] The first plaintiff's loss of business profits for the affected brands, in my view, is not too remote and is recoverable in law.

How Compensatory Damages Be Assessed?

[17] I apply the lost profits basis to assess compensatory damages because this case concerns competing sales of rice products of the first plaintiff and the first defendant – *Taiping Poly*, at para. [19]. The royalty basis is not applicable because no license has been issued by the first plaintiff or by any other party in the rice industry.

Whether Court May Consider Accountant's Expert Evidence In Applying Lost Profits Basis

[18] The defendants' learned counsel, Mr. Michael Soo Chow Ming, has submitted as follows, among others:

(i) Encik Ong is an accountant whose expert evidence is admissible under s. 45(1) EA and O. 40A rr. 1 to 3 RC;

(ii) the court should give weight to Encik Ong's expert opinion because he is an independent, competent and experienced accountant; and

(iii) Encik Azhar is not an expert in accounting and his evidence is thus not admissible in this assessment. Alternatively, even if the court admits Encik Azhar's evidence, no weight should be attached to his evidence. This is because Encik Azhar is an employee of the first defendant and is not impartial.

[19] I reproduce below s. 45(1) EA and O. 40A rr. 1 to 3 RC: A

Opinions of experts

45(1) *When the court has to form an opinion* upon a point of foreign law or of science or art, or as to identity or genuineness of handwriting or finger impressions, *the opinions upon that point of persons specially skilled* in that foreign law, science or art, or in questions as to identity or genuineness of handwriting or finger impressions, *are relevant facts.* B

O 40A Experts of Parties

Limitation of expert evidence

r. 1(1) *The Court may, at or before the trial of any action, by order limit the number of expert witnesses who may be called at the trial to such number as it may specify.* C

r. 1(2) *A reference to an "expert" in this Order is a reference to an expert who has been instructed to give or prepare evidence for the purpose of Court proceedings.*

Expert's duty to the Court D

r. 2(1) *It is the duty of an expert to assist the Court on the matters within his expertise.*

(2) *This duty overrides any obligation to the person from whom he has received instructions or by whom he is paid.*

Requirements of expert's evidence E

r. 3(1) Unless the Court otherwise directs, expert evidence to be given at the trial of any action, is to be given in a written report signed by the expert and exhibited in an affidavit sworn to or affirmed by him testifying that the report exhibited is his and that he accepts full responsibility for the report. F

r. 3(2) An expert's report shall:

(a) give details of the expert's qualifications;

(b) give details of any literature or other material which the expert witness has relied on in making the report; G

(c) contain a statement setting out the issues which he has been asked to consider and the basis upon which the evidence was given;

(d) if applicable, state the name and qualifications of the person who carried out any test or experiment which the expert has used for the report and whether or not such test or experiment has been carried out under the expert's supervision; H

(e) where there is a range of opinion on the matters dealt with in the report:

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(i) summarise the range of opinion; and

(ii) give reasons for his opinion;

(f) contain a summary of the conclusions reached;

(g) contain a statement of belief of correctness of the expert's opinion; and

(h) contain a statement that the expert understands that in giving his report, his overriding duty is to the Court and that he complies with that duty. (emphasis added).

[20] Firstly, there is nothing in s. 45(1) EA or O. 40A rr. 1 to 3 RC which requires an accountant's expert evidence to be adduced in support of a plaintiff's claim for compensatory damages. Nor is there any written law which requires such an expert opinion. My research is unable to show any decided case in Malaysia and the other Commonwealth countries which requires a plaintiff to call an accountant to give expert evidence in support of the plaintiff's claim for compensatory damages. On the contrary, there are many cases, including *Taiping Poly*, which have awarded compensatory damages based solely on evidence of "non-experts". Accordingly, the plaintiffs are not required to adduce an accountant's expert opinion to support this assessment.

Despite the above, there is nothing in law to prevent a plaintiff and/or defendant from tendering an accountant's expert opinion to assist the court in the assessment of compensatory damages. In an adversarial litigation system, parties in assessment proceedings have a discretion to adduce an accountant's expert evidence as they see fit. Needless to say, it is a question of fact in each assessment proceedings as to whether the court may accept an accountant's expert view and to attach any weight thereto.

[21] Based on the reasons in above para. [20]:

(i) the plaintiffs are not obliged to adduce an accountant's expert opinion regarding the first plaintiff's loss of business profits in the sales of the affected brands; and

(ii) the defendant could adduce Mr. Ong's expert evidence regarding EBITA to assist this court in the assessment.

[22] Encik Azhar is not an expert within the meaning of s. 45(1) EA. Consequently, s. 45(1) EA does not apply to Encik Azhar.

[23] Order 40A rr. 1 to 3 RC do not provide for admissibility or exclusion of expert evidence – please see *Kingtime International Ltd & Anor v. Petrofac E & C Sdn Bhd* [2018] 1 LNS 1681; [2018] MLRHU 1328, at sub-para. 24(5)(i). As Encik Azhar is not an expert witness, his evidence is not subject to O. 40A RC.

[24] Regarding the defendants' submission that Encik Azhar is not an independent witness, I refer to the judgment of Raus Sharif CJ in the Federal Court case of *Spind Malaysia Sdn Bhd v. Justrade Marketing Sdn Bhd & Anor* [2018] 4 CLJ 705; [2018] 4 MLJ 34, at para. [136], as follows:

> [136] **The appellant's counsel challenged the evidence of DW3 on two grounds, namely his lack of independence as a party to the suit,** and his admission that he is not a person skilled in the art. **The first ground does not in itself render DW3's evidence inadmissible,** and the acceptance of DW3's evidence does not mean that the learned trial judge failed to accord proper weight to the evidence of an interested party. (emphasis added).

The above judgment in *Spind* has been followed in *Kingtime*, at sub-para. 24(5)(iii).

[25] Notwithstanding the fact that Encik Azhar is an employee of the first plaintiff, I accept his evidence regarding the first plaintiff's loss of business profits in the sales of the affected brands (Encik Azhar's computation). This decision is premised on the following evidence and reasons:

(i) Encik Azhar's computation is based on the loss of profits basis as laid down in *Taiping Poly*;

(ii) Encik Azhar's computation is based on the first plaintiff's records. There is no evidence that the contents of such records are incorrect or unreliable; and

(iii) the cross-examination of Encik Azhar does not reveal any reason to doubt his credibility.

Whether Court Could Consider EBITA

[26] Regarding the five brands, Encik Azhar's computation is as follows:

(i) Encik Azhar obtained 5.31% as the average annual percentage increase of the first plaintiff's revenue from the five brands (average annual revenue increase rate (five brands)). The average revenue increase rate (five brands) of 5.31% is derived as follows:

Percentage increase of revenue for five brands from 2010 to 2011

[(revenue from five brands in 2011) - (revenue from five brands in 2010)] ÷ (revenue from five brands in 2010) × 100% = 5.63%

Percentage increase of revenue for five brands from 2011 to 2012

[(revenue from five brands in 2012) - (revenue from five brands in 2011)] ÷ (revenue from five brands in 2011) × 100% = 8.04%

A Percentage increase of revenue for five brands from 2012 to 2013

[(revenue from five brands in 2013) - (revenue from five brands in 2012)] ÷ (revenue from five brands in 2012) × 100% = 2.70%

Percentage increase of revenue for five brands from 2013 to 2014

B [(revenue from five brands in 2014) - (revenue from five brands in 2013)] ÷ (revenue from five brands in 2013) × 100% = 4.88%

Average annual revenue increase rate (five brands)

[5.63% + 8.04% + 2.70% + 4.88%] ÷ 4 years = 5.31%

C It is to be noted that Encik Azhar excluded the first plaintiff's actual revenue of the five brands in 2015;

(ii) based on the average annual revenue increase rate (five brands) of 5.31%, the predicted revenue of the first plaintiff for the five brands in 2016 [(first plaintiff's predicted revenue in 2016 (five brands)] is D RM226,889,404;

(iii) the first plaintiff's profit before tax (PBT) for the five brands is derived as follows:

E PBT = (total of first plaintiff's revenue from sales and all other income) – (cost of goods sold) – (operating expenses) – (depreciation) – (finance cost);

(iv) an average PBT margin for the five brands (average PBT margin (five brands)) of 1.75% for six years (from 2010 to 2015) is obtained as follows:

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1.75% [average PBT margin (five brands)] = [(PBT margin of 2% in 2010) + (PBT margin of 1% in 2011) + (PBT margin of 2% in 2012) + (PBT margin of 4% in 2013) + (PBT margin of 0.5% in 2014) + (PBT margin of 1% in 2015)] ÷ 6 years;

G (v) the predicted net profit for the five brands which should have been earned by the first plaintiff in 2016 [first plaintiff's predicted net profit in 2016 (five brands)] is RM3,970,564.57 which is arrived as follows:

RM3,970,564.57 [first plaintiff's predicted net profit in 2016 (five brands)] = RM226,889,404 (first plaintiff's predicted revenue in 2016 H (five brands)] × 1.75% [average PBT margin (five brands)];

(vi) in 2016, regarding the five brands, the first plaintiff suffered a loss of RM4,437,513 [first plaintiff's actual loss in 2016 (five brands)]. Encik Azhar then deducted the penalties from the first plaintiff's actual loss in 2016 (five brands). According to Encik Azhar, the first plaintiff's loss I

in 2016 regarding the five brands which arose from the four causes of action was RM501,266 [first plaintiff's claimable loss in 2016 (five brands)]; and

(vii) the loss of business profits for the five brands suffered by the first plaintiff in 2016 is the total sum of first plaintiff's predicted net profit in 2016 (five brands) and the first plaintiff's claimable loss in 2016 (five brands).

For the five brands, the first plaintiff would have suffered a total loss of business profits of RM4,471,831 which is calculated as follows:

RM4,471,831 = RM3,970,565 [first plaintiff's predicted net profit in 2016 (five brands)] (this sum is rounded up to the nearest RM by Encik Azhar) + RM501,266.00 [first plaintiff's claimable loss in 2016 (five brands)].

[27] Encik Azhar's computation for the other brands is as follows:

(i) from 2011 to 2014, there had been a decline in the sales of the other brands with a (-5.82%) as the average annual percentage decrease rate of the first plaintiff's revenue from the other brands (average annual revenue decrease rate (other brands));

(ii) based on the average annual revenue decrease rate (other brands) of (-5.82%), the predicted revenue of the first plaintiff for the other brands in 2016 [first plaintiff's predicted revenue in 2016 (other brands)] is RM30,154,455;

(iii) due to the infringing products, the sales of the other brands in 2015 and 2016 suffered a decline greater than (-5.82%) [average annual revenue decrease rate (other brands)] as follows:

(a) in 2015, there was a drop in the sales of the other brands of (–9.67%) (as compared to the sales of the other brands in 2014); and

(b) there was a decline of (-16.32%) in the sales of the other brands in 2016 (as compared to the sales of the other brands in 2015);

(iv) the average PBT margin for the other brands from 2010 to 2015 is 1.75% [average PBT margin (other brands)];

(v) based on the average PBT margin (other brands) of 1.75%, the first plaintiff should have enjoyed a profit of RM527,702.97 in 2016 [first plaintiff's predicted net profit in 2016 (other brands)];

(vi) due to the infringing sales, the first plaintiff suffered a loss of RM623,505 in 2016 [first plaintiff's actual loss in 2016 (other brands)]. The penalties were then excluded from the first plaintiff's actual loss in 2016 (other brands). Hence, the first plaintiff's loss in 2016 regarding the other brands which arose from the four causes of action was RM70,432 [first plaintiff's claimable loss in 2016 (other brands)]; and

(vii) the loss of business profits for the other brands suffered by the first plaintiff in 2016 is the total sum of the first plaintiff's predicted net profit in 2016 (other brands) and the first plaintiff's claimable loss in 2016 (other brands).

For the other brands, the [first plaintiff would have suffered a total loss of business profits of RM598,135 which is derived as follows:

RM598,135 = RM527,703 (first plaintiff's predicted net profit in 2016 (other brands)] (this sum is rounded up to the nearest RM by Encik Azhar) + RM70,432 [first plaintiff's claimable loss in 2016 (other brands)].

[28] Encik Ong gave the following evidence, among others:

(i) in calculating the predicted revenue of the first plaintiff for the affected brands in 2016, Encik Azhar should have taken into account the first plaintiff's revenue for the affected brands in 2015; and

(ii) EBITA should be used instead of the predicted profit of the first plaintiff before tax.

[29] The plaintiffs' learned counsel, Ms. Kuek Pei Yee, has accepted the above expert opinion of Encik Ong.

[30] On the facts of this case, I accept EBITA in applying the lost of profits basis. I should clarify that my reliance on EBITA in this case does not mean that a plaintiff is mandatorily required to adduce an accountant's expert opinion regarding EBITA to prove compensatory damages. This is because firstly, there is no legal requirement for a plaintiff to tender an accountant's expert opinion, let alone the accountant's expert evidence regarding EBITA, in an assessment of compensatory damages (please see the above para. [20]). Furthermore, there is no hard and fast rule as to how the court may assess compensatory damages – *Taiping Poly*.

[31] Based on Mr. Ong's expert opinion in the above para. [28], I decide as follows:

(i) regarding the five brands, the first plaintiff's revenue in 2015 should be considered:

(a) taking into account the first plaintiff's revenue decrease rate for the five brands in 2015 (-6.60%), the average annual revenue increase rate (five brands) from 2011 to 2015 is 2.93%; and

(b) based on the average annual revenue increase rate (five brands) of 2.93% and the actual revenue of the first plaintiff for the five brands in 2015 (RM191,086,048), the first plaintiff's predicted revenue in 2016 (five brands) is RM196,684,869 [RM191,086,048 × (100% + 2.93%)]; and

(ii) in respect of the other brands, the first plaintiff's revenue in 2015 for the other brands should be taken into account:

(a) taking into account the first plaintiff's revenue in 2015 for the other brands, the first plaintiff's average annual revenue decrease rate (other brands) from 2011 to 2015 is -2.94%; and

(b) the first plaintiff's actual revenue for the other brands in 2016 was RM30,724,736. Accordingly, the first plaintiff's predicted revenue in 2016 (other brands) is RM29,821,429 [RM30,724,736.00 × (100% - 2.94%)].

Whether Court Should Accept Average EBITA Margin Or Actual EBITA Margin

[32] An EBITA margin (in %) for a particular year (year X) is as follows: [(earnings before interest, tax and amortization in year X) ÷ (total revenue in year X)] × 100%.

[33] Encik Ong and the parties' learned counsel use the term "predicted EBITA margin". I will use the description "average EBITA margin" due to how the margin is derived. According to Encik Ong, for the affected brands, the average EBITA margin for the first plaintiff in 2016 is 3.66% which is derived as follows:

3.66% = [(total of all EBITA margins from 2011 to 2015) ÷ five years] × 100%.

[34] Despite computing the average EBITA margin, Encik Ong opined that the first plaintiff's loss of business profits from the affected brands in 2016 should be computed based on the first plaintiff's actual EBITA Margin in 2016 (2.06%) [actual EBITA margin (2016)]. Based on the actual EBITA margin (2016), Encik Ong calculated the first plaintiff's total loss of business profits for the affected brands in 2016 to be RM369,288 as follows:

(i) regarding the five brands, the loss of profits is RM284,315 which is computed as follows:

RM284,315 = (RM196,684,869 [first plaintiff's predicted revenue in 2016 (five brands)] × 2.06%) – RM3,767,393 (actual EBITA in 2016);

(ii) for the other brands, RM84,973 is the loss of business profits which is derived as follows:

RM84,973 = (RM29,821,429 [first plaintiff's predicted revenue in 2016 (other brands) × 2.06%] – RM529,348 (actual EBITA in 2016); and

(iii) RM369,288 = RM284,315 + RM84,973.

[35] I am not able to accept Encik Ong's expert view regarding the use of the actual EBITA margin (2016). This is because the actual EBITA margin (2016) is "caused" by the infringing products (which constitute the four causes of action). If the defendants can rely on the actual EBITA margin (2016), this is tantamount to allowing the defendants to profit from their own wrongdoing in committing the four causes of action.

[36] Based on the average EBITA margin of 3.66%, I find as a fact that the first plaintiff's loss of business profits from the affected brands in 2016 is RM3,993,389 which is computed as follows:

(i) the first plaintiff's loss of business profits for the five brands in 2016 is RM3,431,273:

RM3,431,273 (rounded to the nearest RM) = (RM196,684,869 [first plaintiff's predicted revenue in 2016 (five brands)] x 3.66%) – RM3,767,393 (actual EBITA in 2016);

(ii) the first plaintiff's loss of business profits for the other brands in 2016 RM562,116:

RM562,116 (rounded to the nearest RM) = (RM29,821,429 [first plaintiff's predicted revenue in 2016 (other brands)] × 3.66%) – RM529,348 (actual EBITA in 2016); and

(iii) RM3,993,389 = RM3,431,273 + RM562,116.

Loss Of First Plaintiff's Goodwill

[37] In a tort of passing off, a plaintiff may claim for compensatory damages in the form of loss of the plaintiff's goodwill or damage to the plaintiff's goodwill – *Taiping Poly*, at para. [37]. It was decided in *Schwan-Stabilo Marketing*, at para. [23], as follows:

23. In addition to loss of business profits or loss of royalty/license fee due to the 3 Causes of Action:

(1) *the court will presume that there is loss of goodwill to a plaintiff due to the defendant's commission of the tort of passing off – Taiping Poly,* at paragraph 37;

(2) *it is an exercise of the court's discretion to award a sum for damage to a plaintiff's goodwill due to the defendant's passing off – Taiping Poly,* at paragraph 37; and

(3) *in Draper v Trist & Ors [1939] 3 All ER 513, at 524, Wilfred Greene MR (as he then was) held in the English Court of Appeal that the court would use "ordinary business knowledge and common sense" in assessing loss of goodwill due to passing off.* (emphasis added).

[38] The plaintiffs have claimed for a sum of RM200,000 as damages for the loss of the first plaintiff's goodwill. I however exercise my discretion to award a sum of RM100,000 as compensatory damages for the loss of the first plaintiff's goodwill. This award is based on the following evidence and reasons:

(i) in this case, the plaintiffs had proven that the defendants had caused actual damage to the first plaintiff's goodwill – please see para. [116] of the judgment;

(ii) the first defendant's promotion expenditure aggravates the likelihood of confusion/deception and this in turn, causes severe damage to the first plaintiff's goodwill;

(iii) this court may presume there is a loss of the first plaintiff's goodwill arising from the defendants' commission of the tort of passing off – *Taiping Poly*; and

(vi) as decided in *Draper*, an award of RM100,000 for a loss of the first plaintiff's goodwill is in accordance with "ordinary business knowledge and common sense."

Assessment Of Non-compensatory Damages

[39] The relevant part of s. 37 CA is reproduced below:

Action by owner of copyright and relief

37(1) *Infringements of copyrights …, the court may grant the following types of relief*:

(a) …;

(b) *damages*;

(c) …;

(d) *statutory damages of not more than twenty-five thousand ringgit for each work, but not more than five hundred thousand ringgit in the aggregate*; or

(e) ...

...

(7) *Where in an action under this section an infringement of copyright ..., the court may, in assessing damages for the infringement or commission of the prohibited act, award such additional damages as it may consider appropriate in the circumstances if it is satisfied that it is proper to do so having regard to:*

(a) the flagrancy of the infringement or prohibited act;

(b) any benefit shown to have accrued to the defendant by reason of the infringement or prohibited act; and

(c) all other relevant matters.

(8) *In awarding statutory damages under paragraph (1)(d), the court shall have regard to:*

(a) *the nature and purpose of the infringing act or prohibited act, including whether the infringing act or prohibited act was of a commercial nature or otherwise*;

(b) *the flagrancy of the infringement or prohibited act*;

(c) *whether the defendant acted in bad faith*;

(d) *any loss that the plaintiff has suffered or is likely to suffer by reason of the infringement or prohibited act*;

(e) *any benefit shown to have accrued to the defendant by reason of the infringement or prohibited act;*

(f) *the conduct of the parties before and during the proceedings;*

(g) *the need to deter other similar infringement or prohibited act*; and

(h) *all other relevant matters.* ... (emphasis added).

[40] I am of the following view regarding statutory damages, additional damages, exemplary damages and aggravated damages:

(i) the court has a discretion to award statutory damages under s. 37(1)(d) and (8) CA. This discretion is clear from the permissive word "may" in s. 37(1) CA;

(ii) when the court decides to grant statutory damages, the court "shall have regard to" the matters enumerated in s. 37(8)(a) to (h) CA.

Our s. 37(1)(d) is different from s. 119(2)(d) of the Copyright Act of Singapore [CA (Singapore)]. Section 119(2)(d) CA (Singapore) provides as follows:

119(2) *Subject to the provisions of this Act, in an action for an infringement of copyright, the types of relief that the court may grant include the following*:

…

(d) *where the plaintiff has elected for an award of statutory damages in lieu of damages or an account of profits, statutory damages of:*

(i) not more than $10,000 for each work or subject-matter in respect of which the copyright has been infringed; but

(ii) not more than $200,000 in the aggregate, unless the plaintiff proves that his actual loss from such infringement exceeds $200,000. (emphasis added).

In view of the difference between our s. 37(1)(d) CA and s. 119(2)(d) CA (Singapore), Singapore cases on statutory damages should be read with caution;

(iii) if the court decides to exercise its discretion to order statutory damages, according to s. 37(1)(d) CA, the court cannot order statutory damages which exceeds:

(a) RM25,000 for each work; and

(b) RM500,000 in the aggregate for all the works in question;

(iv) the words in s. 37(7) CA (the court may, in assessing damages for the infringement or commission of the prohibited act, award such additional damages as it may consider appropriate in the circumstances if it is satisfied that it is proper to do so) confer a discretion on the court to grant additional damages;

(v) in the exercise of the court's discretion to award additional damages, the court may consider the matters stated in s. 37(7)(a) to (c) CA;

(vi) the court may order a global or lump sum for statutory damages, additional damages, exemplary damages and/or aggravated damages – *Motordata Research Consortium*, at sub-para. 75(3). This is to avoid giving an unjustifiable windfall to a plaintiff (in the form of overlapping heads of non-compensatory damages) as well as to prevent the defendant's financial destruction in an unjust manner (two purposes) – *Motordata Research Consortium*, at sub-para. 75(2); and

(vii) the court's exercise of discretion to grant or refuse to order non-compensatory damages is dependent on the particular facts of each case. Hence, cases regarding non-compensatory damages do not constitute binding precedents from the viewpoint of the *stare decisis* doctrine.

Statutory Damages

[41] I will first decide regarding statutory damages because s. 37(1)(d) CA has prescribed a maximum amount of statutory damages for copyright infringement.

[42] In this case, the defendants have infringed the first plaintiff's copyright in six works (six works). The plaintiffs have applied for RM25,000 (the maximum amount of statutory damages for each work in s. 37(1)(d) CA) as statutory damages for each of the six works.

[43] I exercise my discretion under s. 37(1)(d) and (8) CA to award statutory damages in this case because:

(i) the defendants' infringement of the first plaintiff's copyright in the six works (defendants' copyright infringement) was of a commercial nature within the meaning of s. 37(8)(a) CA – please see Azizah Nawawi J's judgment in the High Court in *Honda Giken Kogyo Kabushiki Kaisha v. DNC Asiatic Holdings Sdn Bhd & Ors and Another Suit* [2018] 9 CLJ 229; [2017] 1 LNS 1647, at para. [106] (*Honda*'s case);

(ii) the defendants' copyright infringement was flagrant – please see s. 37(8)(b) CA. The word "flagrant" is also provided in s. 37(7)(a) CA regarding additional damages. The following High Court cases have explained the meaning of the word "flagrant" in the context of additional damages:

(a) in *Creative Purpose Sdn Bhd & Anor v. Integrated Trans Corporation Sdn Bhd & Ors* [1997] 2 CLJ Supp 107; [1997] 2 MLJ 429, at 450, Kamalanathan Ratnam JC (as he then was) decided as follows:

> The then s 37(2) CA] allows for the court to assess damages in cases of infringement. However, *the same Act allows for additional damages …*
>
> *The burden is on the plaintiff to prove damage, but not to a degree of certainty. Flagrancy implies scandalous conduct, deceit including deliberate and calculated infringement where a defendant reaps a pecuniary advantage in excess of the damages he would have been found liable for; see Revenscroft v. Herbert & Anor* [1980] RPC 193 at p 206. (emphasis added);

(b) Low Hop Bing J (as he then was) held as follows in *Megnaway Enterprise Sdn Bhd v. Soon Lian Hock (No 2)* [2009] 8 CLJ 130; [2009] 3 MLJ 525, at para. 66(7):

> 66(7) *For the purpose of [the then 37(2) CA], 'flagrancy' means 'the existence of scandalous conduct, deceit and such like', including 'deliberate and calculated copyright infringements, infliction of humiliation and loss, and dishonesty' Ravencroft v. Herbert* [1980] RPC 193 at 208 … (emphasis added); and

(c) Abang Iskandar J (as he then was) decided as follows in *Kohwai & Young Publication (M) Sdn Bhd v. Lembaga Pengelola Dewan Bahasa dan Pustaka* [2013] 10 CLJ 365, at paras. [11] and [12]:

> [11] … As alluded to earlier by me, the plaintiffs had also prayed in their statement of claim, additional damages under [the then s. 37(2)CA] …
>
> [12] No decided case on the interpretation of that statutory provision had been cited to me and for my part I had not been able to locate such a local case. Even at common law, exemplary damages will ordinarily be awarded against a defendant who has engaged in conscious wrongdoing in contumelious disregard of another's rights (see the case of *Gray v. Motor Accident Commission [1998] 196 CLR 1). What is patently clear is that the 'additional damages' sought by the plaintiffs are those grounded as they were in the statute book. Assistance in construing the nature of the discretion as envisaged under [the then s 37(2)CA] may however, be had from reading the Australian case of Sullivan v. FNH Investments Pty Ltd [2003] 57 IPR 63, where Jacobsen J had said that the assessment of additional damages pursuant to s. 115(4) is at large and that the discretion of the court is not fettered in any arithmetic or mathematical way. It is also noted that the word 'flagrancy' as appears in [the then s 37(2)CA], it is not defined therein or anywhere in the [CA]. Again, a reference may indeed be made to the case of Scientific International Pty Ltd v. SC Johnson & Sons Pty Ltd [1998] 43 IPR 275 where it was said that 'flagrancy' involved calculated disregard of the plaintiff's rights, or a cynical pursuit of benefit. The earlier cited case of Aristocrat (supra) also had ruled that awards of further damages were intended to deter infringing conduct and that in that sense an element of penalty was therefore deemed acceptable. I would venture to add here that the court in the Scientific International Pty Ltd case (supra) had assigned to the word 'flagrancy' an open ended interpretation rather than a restrictive meaning. To my mind, its interpretation of the word is not inconsistent with what the same word is intended to convey as employed under [the then s. 37(2)CA]. …* (emphasis added);

(iii) in this case, the defendants had acted in bad faith within the meaning of s. 37(8)(c) CA as follows:

(a) the defendants had maliciously claimed copyright in the six works and counterclaimed that the plaintiffs had infringed the defendants' copyright in the six works;

(b) the second defendant had affirmed false statutory declarations to support the defendants' claim to the copyright in the six works and to oppose the plaintiffs' interlocutory injunction application – please see sub-paras. 27(1), (4) and (5) of the judgment;

(c) a false affidavit had been affirmed by the second defendant to resist the plaintiffs' interlocutory injunction application – please see sub-para. 27(3) of the judgment; and

(d) the second defendant had suppressed material evidence at the trial of these cases – please see sub-para. 20(1) of the judgment;

(iv) the first plaintiff had suffered extensive loss due to the defendants' copyright infringement – please see s. 37(8)(d) CA and the above paras. [7]-[38];

(v) the defendants had derived benefit from the defendants' copyright infringement – please see s. 37(8)(e) CA and *Honda*'s case (at paras. [106] and [107]); and

(vi) there is a need to deter the defendants and other like-minded persons from committing copyright infringement – please see s. 37(8)(g) CA and *Honda*'s case (at para. [108]).

[44] I exercise my discretion to award only RM10,000 as statutory damages for each of the six works. This exercise of discretion is based on the following reasons:

(i) as elaborated in the above paras. [36] and [38], I have awarded a substantial sum of RM4,093,389 as compensatory damages (loss of business profits and loss of goodwill). Hence, in accordance with the two purposes, this court should not award excessive statutory damages; and

(ii) as explained in paras. [45] and [46] below, a further lump sum of RM100,000 as additional damages, exemplary damages and aggravated damages is awarded to the plaintiffs in this case.

Additional Damages, Exemplary Damages And Aggravated Damages

[45] To achieve the two purposes, I exercise my discretion to grant the plaintiffs a global sum of RM100,000 as additional damages, exemplary damages and aggravated damages (global sum).

[46] The reasons for my exercise of discretion in awarding the global sum are the same as explained in the above sub-paras. 43(i) to (vi).

Court's Decision

[47] Based on the above evidence and reasons, I order as follows:

(i) compensatory damages as follows:

(a) a total sum of RM3,993,389 which represents the first plaintiff's loss of business profits for the affected brands in 2016; and

(b) RM100,000 for the loss of and damage to the first plaintiff's goodwill;

(ii) non-compensatory damages as follows:

(a) a total sum of RM60,000 as statutory damages for all the six works; and

(b) a global sum of RM100,000 for additional damages, exemplary damages and aggravated damages; and

(iii) costs of assessment (subject to allocatur fee) shall be paid by the defendants to the plaintiffs because the plaintiffs have succeeded to prove the above sums of damages.